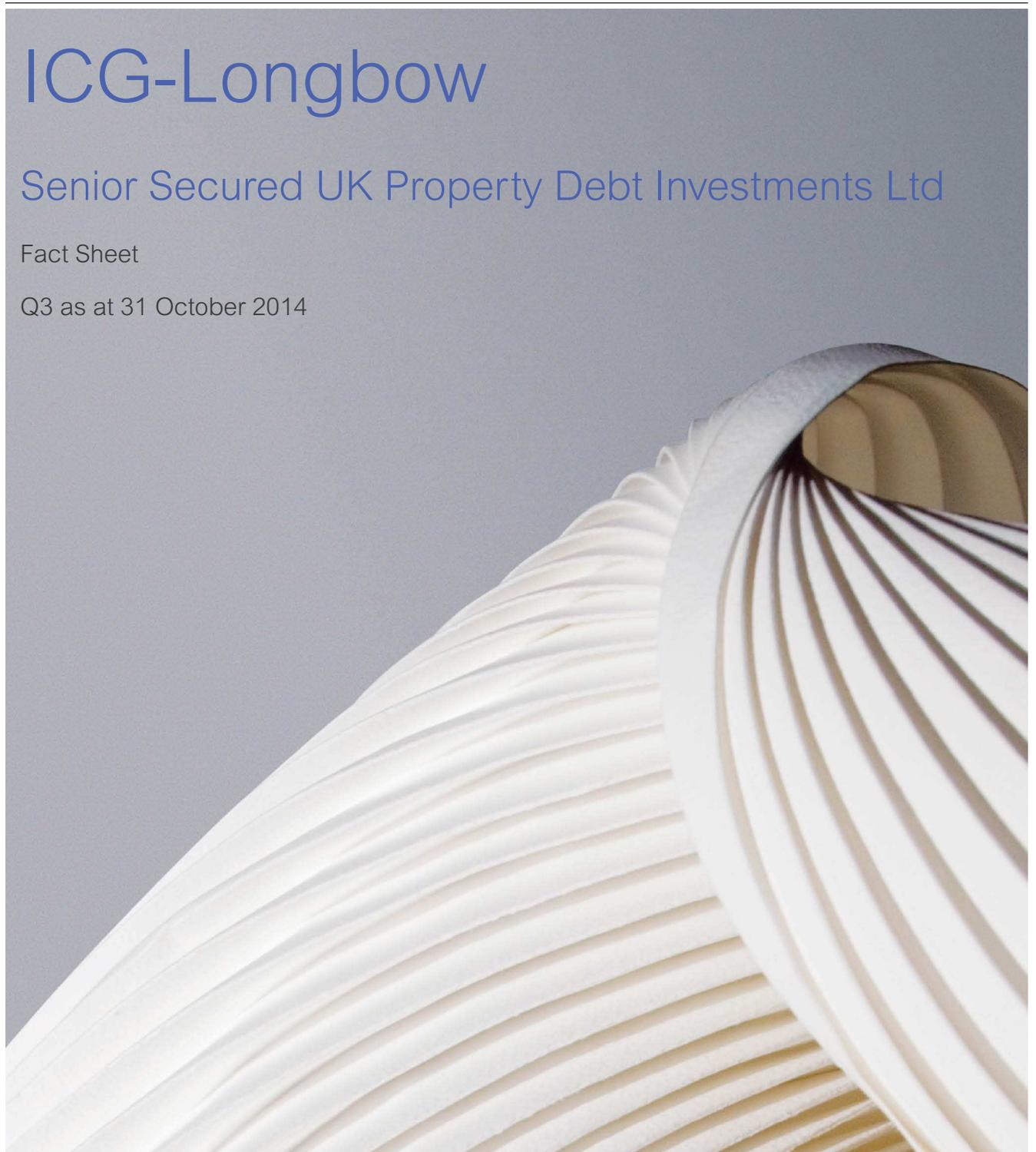


## ICG-Longbow

Senior Secured UK Property Debt Investments Ltd

Fact Sheet

Q3 as at 31 October 2014



# ICG-Longbow Senior Secured UK Property Debt Investments Ltd

## Investment Objective

The Investment objective of the company is "...to construct a portfolio of good quality, defensive, senior debt investments secured by first ranking fixed charges predominantly against UK commercial property investments, providing target dividends of circa 6% pa, paid quarterly, with an underlying target portfolio IRR of 8% pa..."

## Fund Facts

Fund Launch Date:	5 February, 2013	Fund Type:	Closed ended investment company
Fund Manager:	Longbow Real Estate Capital LLP	Domicile:	Guernsey
Base Currency:	GBP	Listing:	London Stock Exchange
Issued Shares:	108.2 million	ISIN Code:	GG0B8C23581
Management Fee:	1.0%	LSE Code:	LBOW
		Website:	www.lbow.co.uk

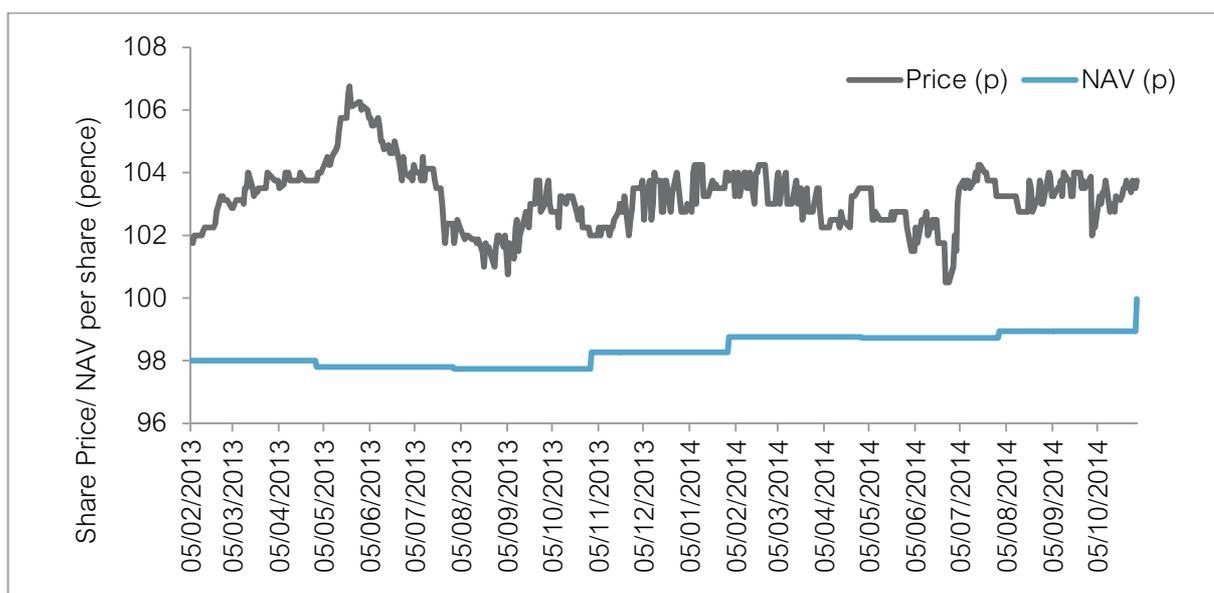
## Share Price & NAV at 31 October 2014

Share Price (p)	103.75
NAV (p)	99.97
Premium/ (Discount)	3.78%
Market Cap.	£112.3 million
Declared dividend (p) <sup>(1)</sup>	1.5 pence
Dividend payment date <sup>(1)</sup>	20/1/2015

## Key Portfolio Statistics at 31 October 2014

Number of Investments:	10
Percentage Capital Investment:	94.5%
Weighted average coupon:	7.39%
Weighted Avg. projected total return:	8.39%
Weighted Avg. LTV:	59.8%
Weighted Avg. interest coverage ratio:	169%

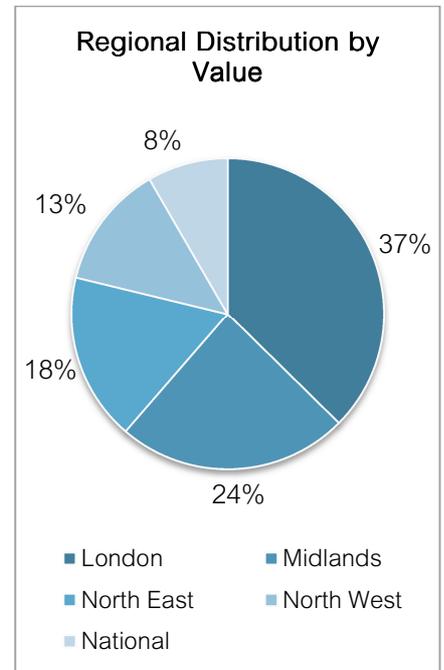
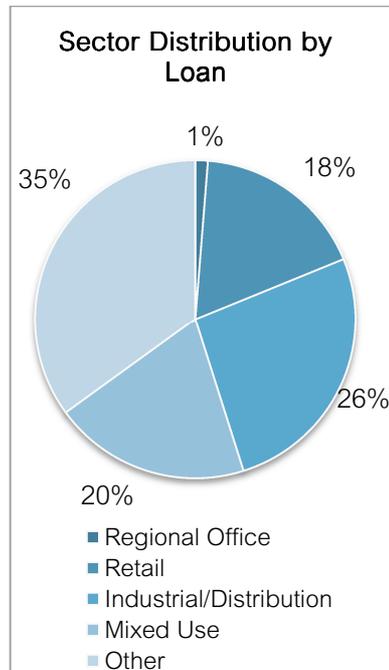
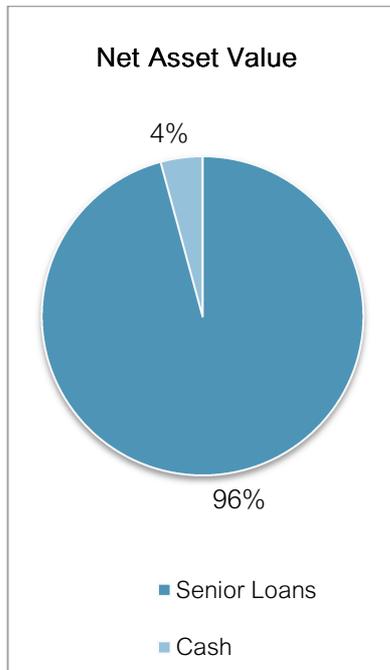
## Share Price v NAV (from IPO to 31 October 2014)



<sup>(1)</sup> For quarter ending 31 October 2014, declared 12 December 2014

# ICG-Longbow Senior Secured UK Property Debt Investments Ltd

## Portfolio Composition as at 31 October 2014



## Investment Portfolio as at 31 October 2014

Project	Region	Sector	Term Start	Unexp term (yrs)	Day 1 Balance (£m)	Day 1 LTV (%)	Day 1 ICR (%)	Balance Outstanding (£m)	Current LTV (%)	Current ICR (%)
Mansion Student Fund	Midlands/ Scotland	Other (Student)	Jun-13	4.60	18.070	54.8	204	18.070	46.5	268
IRAF Portfolio	North West	Industrial/Distribution	Jul-13	4.08	14.200	59.3	193	11.935	55.3	207
Meadows RE Fund II	London	Retail	Sep-13	3.17	18.070	65.0	150	18.070	65.0	130
Northlands Portfolio	London	Mixed Use	Nov-13	4.07	7.200	61.7	192	6.477	60.6	136
Hulbert	Midlands	Industrial/Distribution	Dec-13	4.09	6.565	65.0	168	6.565	65.0	158
Halcyon Ground Rents	National	Industrial/Distribution	Dec-13	4.10	8.600	64.8	116	8.600	64.8	116
Cararra Ground Rents	North West	Regional Office	Dec-13	4.10	1.300	65.0	113	1.300	65.0	113
Raees	London	Mixed Use	Dec-13	4.11	13.250	65.0	122	13.250	64.6	123
Lanos (York)	Yorks/Humberside	Other (Hotel)	Mar-14	4.17	10.000	64.9	122	10.000	61.1	142
Gateshead Ramada	North East	Other (Hotel)	Apr-14	4.50	7.983	64.4	180	7.982	64.4	185
<b>TOTAL COMPLETED</b>				<b>4.06</b>	<b>105.238</b>	<b>62.2</b>	<b>162</b>	<b>102.250</b>	<b>59.8</b>	<b>169</b>

## Investment Manager's Commentary

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### Market:

The impact of the continuing economic growth and employment growth can be seen in commercial property vacancy rates where, for example, the void rate in city of London offices has fallen from c. 7% to 5% over the past year, whilst national retail void rates have fallen from a peak of 14% in 2012 to below 10% currently. Over the past 12 months, capital values have increased by 12%. However, the market as a whole still remains nearly 30% below its peak level in 2007.

The Bank of England has warned that inflation could fall below 1% in the next six months, whilst the Bank's Governor said he did not expect inflation to remain below the targeted rate of 2% for three years. As a result of the decreased inflationary expectations, five year libor interest rate swap rates have reduced materially over the quarter from circa 2% to circa 1.6%, a factor which, when taken with the reduction in lending margins results in an overall cost of finance to borrowers under new loans of circa 4% - an aggregate reduction of circa 1% on the year.

### Portfolio:

With the initial investment programme having been completed, 98% of the Company's available capital has been deployed. Given the multi-let nature of the majority of the Company's ten loan portfolio and the fact that six of the ten loans are themselves underpinned by portfolios of properties, a degree of low level change in the security portfolio can be expected from quarter to quarter. Of particular note completing during Q3 was the part paydown of the LM Real Estate loan by £1.365m to £11.935m and the subsequent assignment of the loan to a new institutionally backed borrower managed by InfraRed Capital Partners.

The ten loans in the portfolio have a weighted coupon of 7.39% and a projected IRR of 8.39%. The Investment Manager believes the Company's loan portfolio to be strongly secured, given the conservative leverage, the first and only charge, together with the diversification of risk at portfolio level by sector and geography and at the loan level through the exposure predominantly to multi-property or multi-tenanted security. The current weighted risk exposure of 59.8% Loan to value and 169% Interest Coverage Ratio reflects a modest de-risking of the portfolio over the quarter. All of the loans are fully compliant with parameters set out in the Prospectus.

### Post quarter end activity:

The Investment Manager has identified a new opportunity to reinvest cash proceeds received from the partial repayments of the LM Real Estate and Northlands loans via the origination of a new £1.75m loan. The proposed new loan will be secured against three London properties, comprising 14 flats, all let on Assured Shorthold Tenancies. 83% of rental income is receivable from flats located in north-west London. The loan will represent 65% LTV and have a day one ICR of 152%.

Even though the coupon on the new loan is below the weighted average of the existing portfolio, the transaction is accretive both in terms of NAV and dividend coverage, given that pre-payment fees averaging the equivalent of 2.75 years' interest were charged on £2m of capital repayments.

Due diligence is currently being finalised with completion expected during December.

### Outlook:

Underpinned by the favourable economic conditions and property market discussed above and given the continued performance of the ten loan portfolio, we expect to be able to maintain the dividend payment level of 1.5p per share (paid in respect of the quarter ending 31 October), for the foreseeable future, with the earnings stream from the loans substantially protected by the loan pre-payment fees. The Board and the Investment Manager will continue to monitor the portfolio's performance to ensure that earnings are maintained without any increase in the risk profile.

## Contacts

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Investment Manager	Administrator, Designated Manager & Company Secretary	Corporate Broker
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London, W1U 2RY	Le Marchant Street, St. Peter Port, Guernsey	London, EC2V 7QP
info@longbowrec.com	ICGLongbow@heritage.co.gg	david.anderson@investec.co.uk

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